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ORDER 2000-8-8

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UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 7th day of August, 2000

ESTABLISHMENT OF THE STANDARD
FOREIGN FARE LEVEL

Docket 37554

Served: August 9, 2000

(Docket 20-146)

ORDER

Section 41509(e) of Title 49 of the United States Code requires that the Department establish a Standard Foreign Fare Level (SFFL) by adjusting the SFFL base periodically by percentage increases in actual operating costs per available seat-mile (ASM). The SFFL becomes the benchmark for measuring the statutory non-suspend zone set forth in that section. Order 80-2-69 established the first interim SFFL, and Order 2000-4-8 established the currently effective two-month SFFL applicable through May 31, 2000.

In establishing the SFFL for the two-month period commencing June 1, 2000, we have projected non-fuel costs based on the year ended December 31, 1999 data for all carriers, and have determined fuel prices on the basis of the latest available experienced monthly fuel cost levels as reported by the carriers.

Our calculations measure unit cost changes from October 1, 1979, to July 1, 2000, the mid point of the June 1 - July 31, 2000 projection period for the three ratemaking entities: Atlantic, Latin America and Pacific.

In projecting the SFFL adjustment effective June 1, 2000, the staff examined the latest available monthly fuel price data reported to the Department by the carriers, and used a least squares analysis to project fuel prices to July 1, 2000.

The resulting projections are fuel prices on July 1, 2000, of 89.49 cents per gallon in the Atlantic, 101.95 cents per gallon in Latin America and 91.37 cents per gallon in the Pacific.

Unit non-fuel costs for the 12 months ended December 31, 1999 decreased 4.43 percent for the Atlantic Entity, increased 3.26 percent for the Latin American Entity and decreased 6.74 percent for the Pacific Entity over the year ended December 31, 1998.

Based on our calculations, we find the projected cost adjustment factor over the October 1, 1979 level to be 39.99 percent in the Atlantic, 63.48 percent in Latin America and 55.37 percent for the Pacific (See Appendix A). This results in changes from the last two-month SFFL projections of +0.91 percent for the Atlantic Entity, +3.18 percent for the Latin American Entity and +1.42 percent for the Pacific Entity.

Accordingly, pursuant to Title 49 of the United States Code:

1. Effective June 1, 2000 fares may be increased by the following adjustment factors over the October 1979 level, as amended:

Atlantic	1.3999
Latin America	1.6348
Pacific	1.5537

2. We will serve a summary of this order upon all U.S. certificated air carriers and all foreign air carriers.

By:

A. BRADLEY MIMS
Acting Assistant Secretary for
Aviation and International Affairs

(SEAL)

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INTERNATIONAL NORMAL FARE ADJUSTMENT FACTOR BY ENTITY
TO JULY 1, 2000 OVER OCTOBER 1, 1979
FARE LEVEL

Year Ended	INTERNATIONAL ENTITIES		
	ATLANTIC	LATIN AMERICA	PACIFIC
December 31, 1999 1/			
Total Oper. Exp. 2/ (000)	\$8,430,902	\$4,454,474	\$6,423,722
Less: Property & Mail	\$727,736	\$238,530	\$936,454
Nonscheduled 3/	\$1,101	\$18,984	\$5,004
Transport Related 4/	\$267,753	\$149,735	\$127,719
Passenger Oper. Exp.	\$7,283,726	\$4,044,225	\$5,354,545
Passenger Fuel Cost 5/	\$869,056	\$435,918	\$726,369
Passenger Nonfuel Cost	\$6,394,670	\$3,608,307	\$4,628,176
Scheduled Service ASM's (000)	101,807,459	48,547,028	74610051
Nonfuel Oper. Exp. per ASM	\$0.06281	\$0.07433	\$0.06203
Fuel Expense per ASM	\$0.00873	\$0.00898	\$0.00974
Total Expense per ASM	\$0.07154	\$0.08331	\$0.07177
Year Ended			
December 31, 1998 1/			
Total Oper. Exp. 2/ (000)	\$7,910,722	4,436,209	6,755,444
Less: Property & Mail	\$719,756	261,877	800,889
Nonscheduled 3/	\$2,158	13,709	10,669
Transport Related 4/	\$280,753	143,319	178,618
Passenger Oper. Exp.	\$6,908,055	4,016,704	5,755,268
Passenger Fuel Cost 5/	\$760,927	427,316	725,551
Passenger Nonfuel Cost	\$6,147,128	3,589,388	5,039,717
Scheduled Service ASM's (000)	93,530,833	49,866,273	75,769,766
Nonfuel Oper. Exp. per Asm	\$0.06572	\$0.07198	\$0.06651
Fuel Expense per ASM	\$0.00814	\$0.00857	\$0.00958
Total Expense per ASM	\$0.07386	\$0.08055	\$0.07609
Percent Change in Nonfuel			
Oper. Exp. per ASM	-4.43%	3.26%	-6.74%
Projected Change in Nonfuel Exp.			
to July 1, 2000 6/	-4.43%	3.26%	-6.74%
Est. Change in Fuel Cost			
Year Ended December 31, 1999	66.84%	84.49%	61.11%
Avg. to July 1, 2000 7/			

INTERNATIONAL NORMAL FARE ADJUSTMENT BY ENTITY

	INTERNATIONAL ENTITIES		
	ATLANTIC	LATIN AMERICA	PACIFIC
Nonfuel Oper. Exp. per ASM at July 1, 2000 8/	0.06003	0.07675	0.05785
Fuel Expense per ASM at July 1, 2000 8/	0.01457	0.01657	0.01569
Total Expense per ASM at July 1, 2000 8/	0.07460	0.09331	0.07354
Total Scheduled Passenger Expense per ASM at October 1, 1979	0.05329	0.05708	0.04733
Cost Adjustment Factor 9/	1.3999	1.6348	1.5537
Change from Prior SFFL	0.91%	3.18%	1.42%
Prior SFFL Adjustment Factor	1.3873	1.5844	1.5320
Prior Unit Cost per ASM	0.07393	0.09044	0.07251

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- 1/ Includes following carriers:
For Atlantic: AA/CO/DL/NW/TW/UA/US
For Latin America: AA/CO/DL/US/US
For Pacific: AA/CS/CO/DL/NW/UA
- 2/ Total operating expense for all operations and service as reported in the Department's Form 41.
- 3/ Total nonscheduled revenues times .95, assuming charter operations would be conducted at a profit.
- 4/ Total transport-related expense, less any excess of expense over total transport-related revenues.
- 5/ Total fuel cost, scheduled service, times complement of ratio of property and mail expense to total operating expense.
- 6/ Percentage change raised to the 1.0 power (12 month's increase).
- 7/ Estimated average cost per gallon for the carriers at July 1, 2000 (per page 3) divided by the cost per gallon for the year ended December 31, 1999.
- 8/ Operating expense per ASM for the year ended December 31, 1999 times projected or estimated change.
- 9/ Projected operating expense per ASM at July 1, 2000, divided

INTERNATIONAL ENTITIES

		ATLANTIC	LATIN AMERICA	PACIFIC
Average Fuel Cost per Gallon (cents)				
	Y.E. December 31, 1999	53.64	55.26	56.71
	Month			
1999	October	62.05	67.42	65.90
	November	63.77	69.38	66.38
	December	69.08	73.05	67.63
2000	January	75.63	81.40	77.59
	February	77.28	87.64	79.94
	March	78.46	88.47	81.31
Projected Fuel Cost				
	As estimated on July 1, 2000 1/	89.49	101.95	91.37